Farm Mortgage Credit 1930-37[1]

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Total farm-mortgage indebtedness decreased 17 percent from 1930 to 1935.

The reduction in the number of mortgaged farms was relatively greater for tenant farms than for those operated by owners.

Ratio of debt to value of mortgaged farms increased sharply from 1930 to 1935, but has since been reduced.

Refinancing program of Farm Credit Administration resulted in a marked shift in the farm-mortgage holdings of leading lending agencies.

Farm-mortgage loans of life insurance companies have been reduced by more than one-half since 1930.

Joint stock land banks and three State credit agencies are in process of orderly liquidation.

Commercial banks were the only important lending-agency group to show an increase in outstanding farm-mortgage loans during first half of 1937.

Mortgage Debt Sharply Reduced.[2]

TOTAL mortgage debt on farm land and buildings reported for January 1, 1935, was $7,645,091,000, representing a decline of 17 percent from the total of $9,214,278,000 reported for April 1, 1930. As indicated by data for individual lending agencies, presented in subsequent sections of this report, it is probable that total farm-mortgage indebtedness has shown a further slight decline in the last 2 years.

Debt on owner-operated farm land in 1935 amounted to $4,895,811,000, or 64 percent of the reported total. Mortgage debt on rented land, plus a much smaller amount of debt on manager-operated farms, was $2,749,280,000, or 36 percent of the total. As compared with 1930, debt on owner-operated farms showed a decline of 13.7 percent and on farms operated by tenants and managers, a decline of 22.3 percent.

Marked regional differences in the trend of total mortgage indebtedness were shown in the 5-year period. The largest percentage decline, 23.6 percent, was recorded for the West North Central group of States, while the East North Central group reported a decline of 17.2 percent. The reduction of $1,144,085,000 in mortgages secured by farms in these 12 States accounted for 73 percent of the total reduction in mortgage indebtedness for the United States during this period, although farm-mortgage indebtedness in this area accounted for but 58 percent of the total debt in 1930. Iowa and Missouri showed the largest reductions among the States during this period, 31.5 percent for the former and 30.3 percent for the latter State.

The relatively sharp reduction in the North Central States is largely explained by the high ratios of mortgage debt to land values in 1930. In that year mortgage debt covered 44 percent of the value of mortgaged farms of full owners in these States as compared with a ratio of 35 percent for the rest of the country. Holding a comparatively small equity in their property, farmers in this region were particularly vulnerable to the substantial reduction in farm income that began in 1930.

Table 1.—Number of Mortgaged Farms and the Amount of Farm Mortgage Debt, by Geographic Divisions: 1935 and 1930

Geographic division	Number of mortgaged farms				Farm mortgage debt	
	1935	1930	Percent of total farms		1935	1930
			1935	1930		
United States	2,350,313	2,523,223	34.4	40.1	$7,645,091,000	$9,214,278,000
New England	58,683	50,463	42.4	46.2	181,853,000	151,484,000
Middle Atlantic	144,878	144,676	38.4	40.4	409,729,000	480,582,000
East North Central	410,358	438,141	38.4	45.3	1,532,[illegible],000	1,851,305,000
West North Central	468,575	563,061	42.0	50.8	2,670,087,000	3,501,722,000
South Atlantic	277,409	296,212	24.2	28.2	401,040,000	464,054,000
East South Central	224,006	317,058	22.6	28.9	348,900,000	376,670,000
West South Central	395,300	461,462	34.0	40.9	877,537,000	1,044,304,000
Mountain	102,049	117,890	37.8	48.8	462,431,000	534,055,000
Pacific	133,444	135,455	44.6	51.8	751,457,000	837,152,000

In New England the increase of 27 percent in the number of farms canvassed in 1935 was so great as to more than offset the relatively small[3] degree of debt liquidation experienced during the depression period in this area, with the net result that reported farm-mortgage debt rose by $30,000,000. None of the other geographic divisions recorded a rise in mortgage debt, but in the State of West Virginia a 26.7 percent increase in the number of farms canvassed was associated with a nominal increase in debt. Slight increases in mortgage debt were also recorded for Delaware and Wyoming.

Number of Mortgaged Farms Smaller in 1935 than in 1930.

The total number of mortgaged farms in 1935 was 2,350,313, representing a decline of 172,910, or 6.9 percent, from the 2,523,223 mortgage-encumbered

[1] This article is based primarily upon a report of the cooperative survey by the Bureau of the Census and the Bureau of Agricultural Economics entitled "Farm-Mortgage Indebtedness in the United States" and a preliminary report by the senior author, entitled "Outstanding Farm-Mortgage Loans of Leading Lending Agencies", to be issued by the Bureau of Agricultural Economics.

[2] Information on mortgages secured by owner-operated farms was first collected by the U. S. Bureau of the Census in 1890, and since 1920 has been a regular feature of its quinquennial censuses of agriculture. No effort has ever been made to obtain mortgage data by the census method for farms operated by tenants or hired managers, it being held unlikely that such operators would know the amount of mortgage indebtedness resting on farms they did not own. However, for certain years the volume of mortgages secured by rented and managed farms has been estimated by the Bureau of Agricultural Economics. For 1935 these estimates are based upon a survey which that Bureau conducted in cooperation with the Bureau of the Census in which questionnaires were mailed to every farm owner in 100 selected counties and to every fifth farm owner in 400 additional counties. A similar but less extensive questionnaire survey had already been conducted by the Bureau of Agricultural Economics for 1930 and the resulting estimates have now been revised on the basis of certain significant relationships emerging from the 1935 survey.

[3] The Bureau of Agricultural Economics estimates that for a 5-year period approximately coinciding with that covered by the two censuses, a yearly average of 17 farms per thousand of all New England farms changed ownership through forced sales or related defaults. For the United States as a whole the comparable number is 38 per thousand.

farms for 1930. This 6.9 percent decrease in the number of mortgaged farms was the net result of an 8.3 percent increase in the number of all farms reported for 1935 over those reported for 1930, and a drop from 40.1 to 34.5 in the proportion of mortgaged farms to all farms reporting.

Farms operated by their owners were more often encumbered by debt than those operated by tenants and managers. For every 1,000 farms operated by their owners, 415 were mortgaged in 1935 as contrasted with 446 in 1930, or a decline of about 7 percent, whereas for every 1,000 farms operated by managers and tenants, the number mortgaged in 1935 was 251 and in 1930 was 342, or a decline of nearly 27 percent. In general, the frequency of mortgage debt is closely related to the proportion of owner-operated farms to all farms, such frequency being consistently high in those States in which a relatively large proportion of farms are owner-operated. Thus, in 1935 owner-operated farms constituted 68.9 percent of all mortgaged farms, although representing but 57.2 percent of all farms. Since the average debt per farm was smaller for owner-operated than for tenant-operated farms, the former bore but 64.0 percent of the total mortgage debt in 1935. In 1930 only 61.6 percent of the total was secured by owner-operated farms.

Of the various geographic divisions, the South Atlantic States were lowest in the proportion of total farms mortgaged. Only 24.2 percent of all farms in that group of States were mortgaged as compared with 44.6 percent in the Pacific States, 43.4 percent in the New England States, and 42.0 percent in the West North-Central States. The variations in frequency of debt among the States cover a wider range, the low being 16.5 percent for West Virginia, and the highs being 53.1 percent for North Dakota, 52.8 percent for Wisconsin, 51.8 percent for Massachusetts, and 49.0 percent for Vermont.

In general, the largest percentage decreases in the number of mortgaged farms were reported for those States in which agriculture is a relatively important factor in the local economy. For the 24 States in which farm population constituted 30 percent or more of the total population in 1930, the number of mortgaged farms decreased by 154,068, or 9.3 percent of the 1,658,611 mortgaged farms reported for 1930 in these States. For the remaining 24 States the drop in the number of mortgaged farms was 18,842, representing a decline of but 2.2 percent from the 1930 figure of 864,612. This relatively small decrease in the number of mortgaged farms in States where agricultural population is relatively small, is associated with a comparatively large increase in the number of farms reported for 1935 in these States. The percentage increase since 1930 was 13.9 percent for this group as compared with 5.7 percent for the States in which farm population constituted 30 percent or more of the total population.

The marked increase in the number of farms reported in 1935 over those reported in 1930 raises a question as to the character of the one-half million additional farms included in the 1935 census and their possible effect upon the comparability of the mortgage-debt figures for 1930 and 1935. While the larger number of farms reported in the 1935 census probably reflects, to some extent, a more complete enumeration as compared with 1930, other factors likely contributed to this expansion in the number of reported farms. The early part of the intercensal period was characterized by a marked rise in industrial unemployment which temporarily retarded the farm-to-city movement so characteristic of the preceding decade. By 1936 the farm-to-city movement of population had returned to its 1927–29 level and for that year the Bureau of Agricultural Economics estimated a net decrease of 80,000 in farm population, the first since 1929. It is also believed that a number of persons who had been living on tracts of land in the country on which they had conducted little or no farming operations made use of their enforced leisure, or of the unemployed labor that was returning to the land, to produce enough from the soil to classify their lands as farms.

Proportion of Tenant-Operated Farms Little Changed.

In spite of the numerous foreclosures and other forced sales that characterized the depression period, the proportion of farms operated by tenants dropped from 42.4 to 42.1 percent of all farms between 1930 and 1935, halting the upward trend that had persisted since 1880 when farms were first classified by tenure of operator. The slight decline in the tenancy ratio noted for the United States conceals very significant differences as among the geographic regions of the country. The proportion of tenant-operated farms declined in all the Southern States south of Kentucky and Virginia, owing in part to the reduction in the number of colored tenants and croppers.

West and north of the Cotton Belt the abnormal number of foreclosures in the years following 1930 resulted in an increase in the ratio of tenant- to owner-operated farms in all but one State, the increase being largest in the West North-Central States. In the 2 years following the census of 1935 the proportion of farms changing ownership through forced sales or related defaults has continued to decrease. It is still high, however, particularly in the drought States of the West North-Central and Mountain areas.

Ratio of Mortgage Debt to Land Values Increases.

Since the value of farm real estate declined by 31.4 percent over the 5-year period as compared with a decline of 17 percent in mortgage debt, the relative weight of the outstanding debt, as measured by the ratio of mortgage debt to total value of land and buildings, was greater in 1935 than in 1930. The accompanying map indicates how widely this ratio varies as among the individual States and geographic divisions. There is, however, a tendency for this ratio to cluster about the 20-percent mark, with 18 scattered States having a ratio of between 17.5 and 22.5 percent of the value of their farm real estate covered by mortgage debt. Of the remaining 30 States, those east of the Mississippi show markedly lower ratios. In states west of the Mississippi, mortgage debt represented a much larger proportion of the value of farm real estate, approximating 30 percent in five of the seven states constituting the West North-Central group.

The ratio of mortgage debt to value of farm land and buildings was lower in all geographic divisions in 1937 than in 1935. According to the Bureau of Agricultural Economics, the value of farm land increased by 7.6 percent between March 1, 1935, and March 1, 1937, and as outstanding debt has probably shown some further reduction, the ratio of farm-mortgage indebtedness to the value of the land upon which it rests has since decreased. In general, the geographic differences in land values noted for 1935 were widened in the following 2 years, as the largest gains in the value of farm land were reported for the East North-Central and the South Atlantic States (12 percent), as compared with a rise of only 4 percent for the West North-Central States.

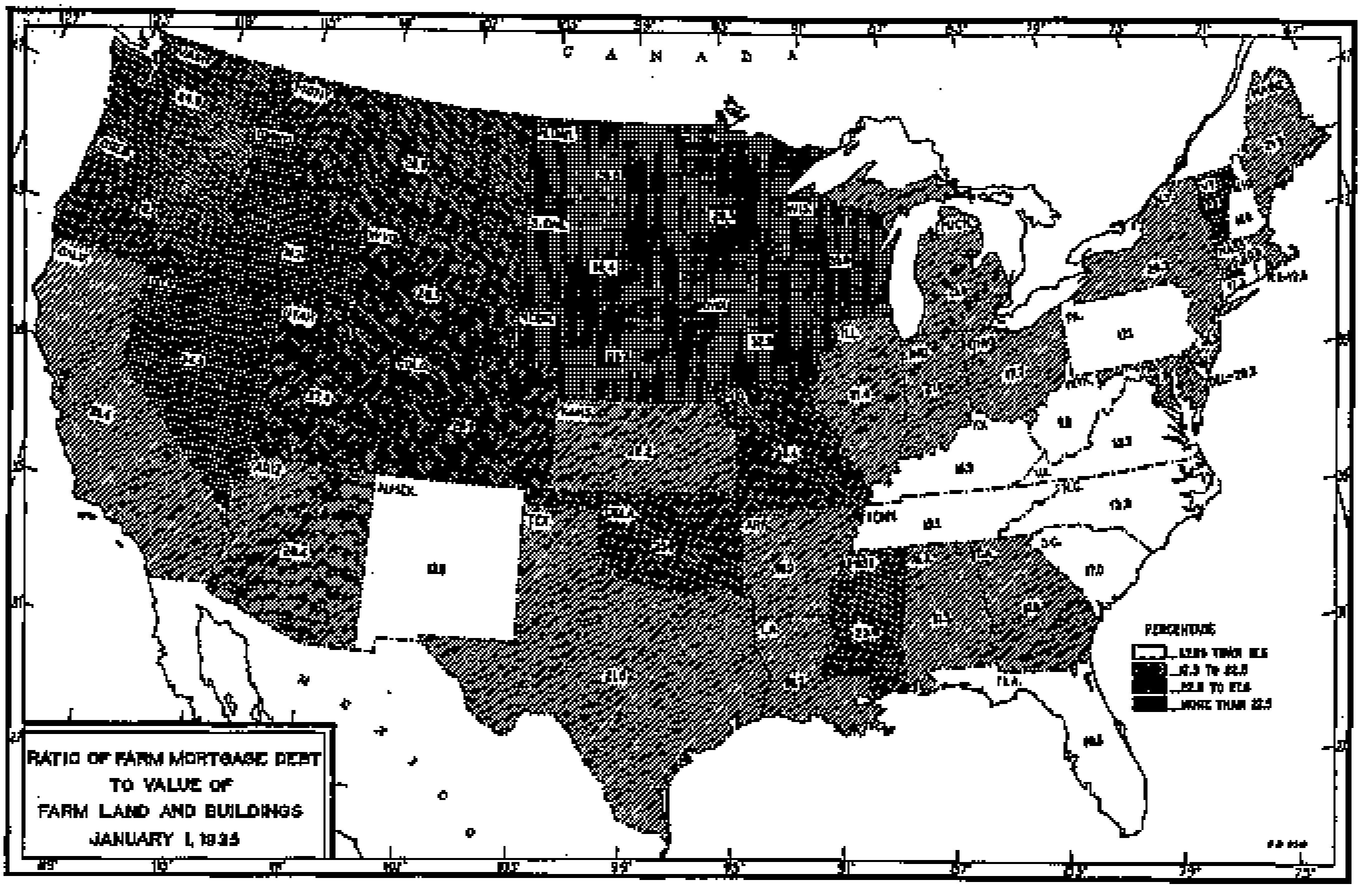

Figure 1.—Farm Mortgage Debt and Land Values, by States.

Activity of Principal Agencies Supplying Farm-Mortgage Credit, 1930–37.

As a result of the extensive liquidation of farm-mortgage debt, the effects of which have already been discussed at some length, and of the refinancing activities of the Farm Credit Administration, the years since 1930 have witnessed marked changes in the volume of farm-mortgage loans held by those agencies which constitute the farmers' principal sources of mortgage credit. Annual figures are not available for all types of lending groups, but the agencies included in table 2 have held a large and growing share of the outstanding farm mortgages over the period studied. On January 1, 1930, the aggregate holdings of these agencies approximated \$5,000,000,000, or about 54 percent of the total mortgage indebtedness; 5 years later the farm-mortgage holdings of the same group of agencies amounted to \$4,577,783,000, fully 60 percent of the estimated total for that date.[4]

[4] Of the farm mortgages unaccounted for by these agencies, by far the largest portion was held by individuals in both years, approximately 30 percent of the total mortgage indebtedness in predepression years and 25 percent in 1935. Of these individuals, more than one-third were retired farmers in 1928 and about 12 percent were active farmers.

Table 2.—Outstanding Farm Mortgage Loans of Principal Lending Agencies, January 1, 1929–37

[Thousands of dollars]

Year	Farm Credit Administration		Life insurance companies	Joint-stock land banks [2]	Commercial banks	Three State credit agencies
	Federal land banks [1]	Land bank Commissioner [1]				
1929	1,183,104		2,138,939	656,516	(3)	95,806
1930	1,185,765		2,105,477	626,930	(3)	92,274
1931	1,175,893		2,089,221	595,611	[4] 945,172	92,088
1932	1,151,059		2,007,361	586,444	(3)	92,914
1933	1,105,610		1,869,160	450,183	(3)	84,676
1934	1,208,148	70,738	1,661,046	392,435	[4] 499,656	79,574
1935	1,888,087	618,737	1,258,900	255,931	498,842	62,385
1936	2,068,946	704,121	1,054,770	175,677	487,585	48,091
1937	2,053,105	836,807	938,464	133,406	497,534	31,867

[1] Excluding Puerto Rico.

[2] Including banks in receivership.

[3] Comparable data are not available for these years. Farm-mortgage loans of deposit banks have been estimated by Donald C. Horton for January 1, of the years 1929 to 1936 as follows (in millions of dollars): 1929, 1,150; 1930, 1,120; 1931, 1,090; 1932, 1,040; 1933, 970; 1934, 710; 1935, 480; 1936, 505. Cf. a Department of Commerce study entitled, "Long-Term Debts in the United States." These figures include savings and private as well as commercial banks.

[4] June 30.

Many of the changes occurring in the early years of the depression represent merely the continuation of trends that were apparent in the predepression years. Farm-mortgage loans of commercial banks, for example, had been declining since the drop in farm prices following the war. Life insurance companies and joint stock land banks had steadily increased their farm-mortgage investments during the early twenties, but holdings had been declining since 1927. Land banks, on the other hand, continued to increase their holdings of loans until 1930, although at a progressively diminished rate after 1927.

In analyzing the effect of the depression upon the farm-mortgage investments of leading lending agencies, the period may conveniently be divided into two phases: The periods before and after the inauguration of the emergency refinancing program of the Farm Credit Administration in the middle of 1933. Prior to 1933 all of the lending groups with the exception of the State credit agencies had effected a steady reduction in their farm-mortgage holdings, reductions during the 3-year period ended December 31, 1932, ranging from 7 percent for the Federal land banks to 26.8 percent for the joint stock land banks. Life insurance companies reduced their farm-mortgage loans by 11.2 percent and deposit banks by 13.4 percent in these 3 years.

The reduction in the farm-mortgage holdings of life insurance companies during this period reflects largely the liquidation of debt through foreclosures and other forced sales, as the volume of new loans was not large. In the case of deposit banks, two other factors are of importance. Commercial banks have always been the farmers' chief source of short-term credit, and even as late as the middle of 1931 they had outstanding nearly $2,000,000,000 in personal and collateral loans to farmers. As the sharp break in farm prices that occurred in 1930 impaired the security of many outstanding personal and collateral loans, banks followed the policy of strengthening the security behind these loans by taking real estate security. Mortgage loans acquired in this manner tended to sustain the outstanding volume of such loans in spite of the large volume of foreclosures. On the other hand, the period following 1929 witnessed a marked reduction in the number of operating commercial banks, particularly in the early months of 1933. This was an important factor in the 24-percent reduction in the farm-mortgage holdings of deposit banks during the calendar year 1933. The drop, insofar as it is due to this factor is, of course, largely fictitious, as the published statistics for deposit banks do not include the assets of failed institutions. With the progressive liquidation of closed banks and the disposal

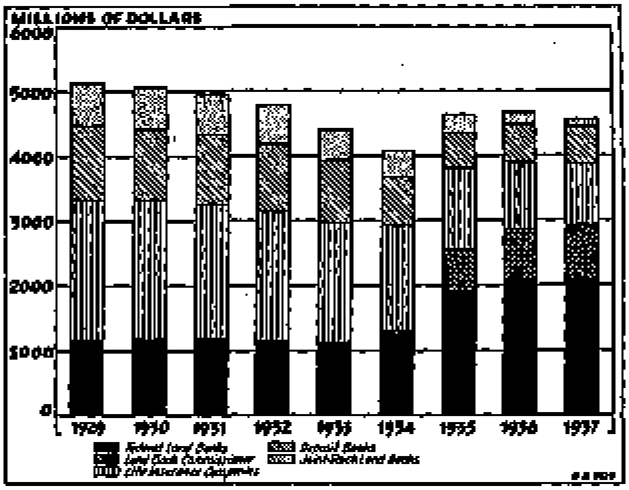

Figure 2.—Outstanding Farm Mortgage Loans of Leading Lending Agencies, January 1, 1929–37.

through foreclosure or refinancing of their farm mortgages, the figures for recent years have become more comparable with those for the predepression period.

Expansion of Lending Operations After 1933.

The enormous expansion [5] in the lending activities and in the volume of outstanding farm-mortgage holdings of the credit agencies acting under the supervision of the Farm Credit Administration is indicated in figure 3.

During the first half of 1933 the mortgage holdings of the Federal land banks continued to decline, and by the end of July recorded a low figure of $1,101,000,000. New loans were being made at an accelerated rate during

[5] The emergency legislation that permitted the rapid expansion of 1933 and 1934 may be briefly summarized. The Emergency Farm Mortgage Act of 1933 authorized the Federal land banks to make loans on the basis of "normal" values. Provisions were also authorized for making direct loans to farmers in areas where the facilities of a national farm loan association were not available. At the same time the Land Bank Commissioner was authorized to make loans upon the security of first or second mortgages in an amount which, together with all prior mortgages or other evidences of indebtedness against the property, would not exceed 75 percent of the normal agricultural value of farm property including personal property. The Federal land banks, in contrast, are restricted to loans on first-mortgage security and to amounts not in excess of 50 percent of the normal value of land and 20 percent of the value of permanent improvements. As the bond market was unable to absorb land bank bonds in the amount and at the rate of interest that the refinancing program called for, the Federal Farm Mortgage Corporation was created early in 1934 and authorized to issue obligations in the amount of $2,000,000,000 to be fully guaranteed by the United States Government. A part of the proceeds from the sale of Federal Farm Mortgage Corporation securities was used to purchase land bank bonds.

the last 5 months of 1933, amounting to almost $200,000,000 as compared with less than $23,000,000 for the first 7 months. However, as indicated in figure 3, the bulk of the Farm Credit Administration's refinancing program was carried out in the year 1934. Loans were still being closed in an unusually large volume in 1935 by both the Federal land banks and the Land Bank Commissioner. In 1936 loans closed by the Federal land banks amounted to only $109,170,200, but due to repayments of principal and the reductions occasioned by foreclosures, land bank holdings declined by over $7,000,000 during that year. During 1937 mortgage holdings of the land banks have continued to decline and at the end of August stood at $2,048,000,-

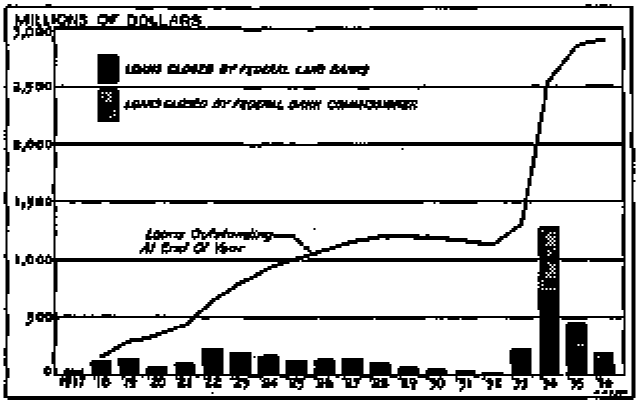

Figure 3.—Loans Closed and Outstanding, Federal Land Banks and Land Bank Commissioner, 1917–36

000—$20,000,000 [3] below the October 1936 peak. The Land Bank Commissioner closed an additional $77,257,-795 of mortgage loans in 1936, but holdings increased by only $42,000,000. After reaching a peak of $837,000,000 at the end of 1936, Land Bank Commissioner loans outstanding declined slightly to $826,-000,000 [3] at the end of August 1937.

Table 3.—Estimated Amount and Percentage Distribution of Proceeds of Federal Land Bank and Land Bank Commissioner Loans Used for Various Purposes May 1, 1933–Jan. 1, 1937

Item	Amount	Percentage distribution
For refinancing first and junior mortgages held by:		
Life insurance companies	$305,618,000	14.4
Commercial banks	351,052,000	16.5
Joint-stock land banks	142,647,000	6.7
Others [1]	704,742,000	33.2
Total	1,504,159,000	70.8
For refinancing other indebtedness owed to:		
Commercial banks	128,440,000	6.0
Taxes	61,270,000	2.9
Other indebtedness	172,601,000	8.1
Total	362,310,000	17.1
Purchase of land and redemption from foreclosure	103,085,000	4.9
General agricultural uses including buildings and improvements	46,159,000	2.2
Stock in association or bank and loan fees	84,334,000	4.0
Grand total	2,124,085,000	100.0

[1] Includes Federal land banks and Land Bank Commissioner.

[3] According to the Farm Credit Administration voluntary repayments were an important factor in these reductions. During the 12 months ended June 1, 1937, farmers repaid over $95,000,000 on the principal of mortgage loans owing to the Federal land banks and the Land Bank Commissioner, $61,400,000 to the former and $34,300,000 to the latter agency. The reduction in loans from the end of 1935 was also influenced by the segregation of loans called for foreclosure into a new account. This account amounted to $37,661,177.76 on Dec. 1936, as compared with no entry for the end of 1935.

Data contained in table 3 indicate the effect of the expanded lending activities of the Farm Credit Administration upon the farm-mortgage investments of the other leading lending agencies.

Mortgage Holdings of Life Insurance Companies Decline.

Life insurance companies reduced their farm-mortgage holdings by $208,000,000 during 1933, 48 percent of which occurred during the first 6 months of the year, before the refinancing activities of the Farm Credit Administration got under way. From January 1, 1934 to January 1, 1937, such holdings were further reduced by over $700,000,000. During this 3-year period roughly $300,000,000 of the proceeds of land bank and Land Bank Commissioner loans were devoted to the retirement of mortgage indebtedness owing to such companies. Foreclosures evidently continued to play an important part in the rapid reduction in the farm-mortgage holdings of life insurance companies, even after 1933. As late as 1936, investments in acquired farm real estate increased by $66,880,000, indicating that acquisitions of real estate during that year exceeded that amount. At the end of 1936, life insurance company investments in acquired farm real estate stood at the high figure of $713,166,000. This was equivalent to 34 percent of the amount of their outstanding farm mortgages on January 1, 1930, and to 61 percent of the decrease in their outstanding farm loans since that date.

Since the beginning of the current year farm mortgages of life insurance companies have continued their steady decline. For the first 8 months of 1937, the 37 companies reporting to the Association of Life Insurance Presidents recorded a decline of 9 percent.

In spite of the steady reduction in holdings since 1930 there is no evidence that life insurance companies are retiring from the farm-mortgage field. For the first 6 months of 1937, data compiled by the Farm Credit Administration show that recordings of farm mortgages held by insurance companies aggregated $69,492,000 as compared with $56,619,000 for the same period in 1936 and $37,668,000 for the first 6 months of 1935.

Commercial Bank Holdings of Mortgages.

Farm-mortgage holdings of commercial banks declined by $457,667,000 between June 30, 1931, and January 1, 1936. The reduction in 1935, however, was very slight. As indicated in table 2 and the attached footnote, most of the decrease in commercial banks' holdings of farm-mortgage loans took place before January 1, 1934. The decline from that date to the end of 1936 has been less than $200,000,000. On the other hand over $350,000,000 of the proceeds of Federal land bank and Land Bank Commissioner loans devoted to the refinancing of commercial bank mortgage loans in the period from May 1, 1933, to the end of 1936. The relatively small decrease in mortgage holdings in the face of the large-scale refinancing of loans is explained by the fact that such refinancing included loans held by closed banks and also by the fact that during this period commercial banks were actively making new loans on farm real estate security. Commercial banks are the only important lending group that increased their farm-mortgage investments during 1937, such investments aggregating $504,138,000 on June 30, 1937, an increase of approximately $17,000,000 since January 1. This increase represents, in part, a seasonal expansion in mortgage loans obtained for financing crop production, particularly in some of the Southern States.

Joint Stock Land Banks and Three State Credit Agencies Being Liquidated.

Joint stock land banks have been in the process of liquidation since May of 1933 when legislation requiring liquidation became effective. As a consequence farm-mortgage loans of these banks were reduced by $258,939,000 between January 1, 1934, and January 1, 1937. Of these loans $130,508,703 were refinanced by or sold to the Federal land banks or the Land Bank Commissioner at an investment loss of $11,009,210, or 8.5 percent. The purchase by the joint stock land banks of their own bonds at less than their par value enabled them to offset, in part, such losses. Foreclosures on mortgages held by joint stock land banks have been heavy all through the depression, particularly during 1932, as evidenced by the increase in acquired farm real estate from $37,957,000 on December 31, 1931, to $71,741,000 on December 31, 1932. During 1937 farm-mortgage loans of joint stock land banks were further reduced to $113,000,000 at the end of August.

The State credit agencies of Minnesota, North Dakota, and South Dakota, whose loans were rapidly expanded in the twenties, showed relatively small declines in farm-mortgage holdings during the early years of the depression. Since 1934, however, mortgage loans have been liquidated rapidly, aided by the refinancing program of the Farm Credit Administration. These agencies have discontinued making new loans except in connection with the sale of acquired farms, and acquired farm real estate now constitutes fully 63.0 percent of their assets.

Geographic Distribution of Farm-Mortgage Loans.

Table 4 shows the geographic distribution of farm-mortgage loans of the Federal land banks and the Land Bank Commissioner for January 1, 1930, and January 1, 1937. As of the latter date 55.3 percent of these loans were secured by farms in the predominantly corn- and wheat-growing area comprising the North Central States and an additional 26.2 percent by farms in the cotton- and tobacco-growing States of the South. This is in rather marked contrast to the geographical distribution of land-bank loans in January of 1930, when 78 percent of the system's loans were rather evenly distributed between the same two groups of States.

Table 4.—Amount and Percentage Distribution of Farm-Mortgage Loans of Federal Land Banks and Land Bank Commissioner, Jan. 1, 1930, and Jan. 1, 1937, by Geographic Divisions

Geographic division	1930		1937	
	Amount	Percentage distribution	Amount	Percentage distribution
	1,000 dollars	*Percent*	*1,000 dollars*	*Percent*
New England	20,310	1.7	43,412	1.4
Middle Atlantic	46,552	4.0	91,848	3.2
East North Central	179,184	15.1	586,200	20.3
West North Central	292,847	24.7	1,011,471	35.0
South Atlantic	103,190	8.7	191,633	6.6
East South Central	130,706	11.0	181,441	6.3
West South Central	224,043	18.9	382,718	13.3
Mountain	109,945	9.2	172,930	6.0
Pacific	79,470	6.7	227,835	7.9
United States	1,185,765	100.0	2,888,913	100.0

Relative to the total volume of mortgage debt owed in each of the agricultural regions, land-bank loans have always been and continue to be of much greater importance in the Southern States than in other areas, as indicated in table 5. In 1930 the land banks held 24.4 percent of the mortgages secured by farm property in the Southern States as compared with 12.9 percent for the country as a whole. Land-bank loans were also relatively important in the Mountain States. Due to the higher rates of interest charged by other lenders in the South and West, land-bank credit had always been relatively more attractive in these States than in the Northeastern and North Central States. This differential also existed in the Pacific States, but land-bank credit was not correspondingly important there in 1930.

Table 5.—Amount of Federal Land Bank and Land Bank Commissioner Loans Compared With Estimated Amount of Total Mortgage Indebtedness, by Geographic Divisions, Jan. 1, 1930, and Jan. 1, 1935

Geographic division	Estimated amount of farm-mortgage debt		Amount of farm-mortgage loans of the Federal land banks and Land Bank Commissioner		Percentage amount of farm-mortgage loans of Federal land banks and Land Bank Commissioner to total amount of estimated farm-mortgage debt	
	1930	1935	1930	1935	1930	1935
	1,000 dol.	*1,000 dol.*	*1,000 dol.*	*1,000 dol.*	*Percent*	*Percent*
New England	161,684	151,062	20,316	35,341	12.4	19.4
Middle Atlantic	460,682	403,730	46,962	81,890	10.2	20.0
E. North Central	1,851,306	1,532,936	179,184	474,977	9.7	31.0
W. North Central	3,501,782	2,878,007	292,846	807,983	8.4	28.2
South Atlantic	464,934	401,946	103,187	192,891	22.7	48.0
E. South Central	378,579	348,906	130,706	182,612	34.6	52.6
W. South Central	1,044,304	877,537	224,043	361,880	21.5	41.3
Mountain	534,050	482,431	108,945	165,210	20.4	34.2
Pacific	837,162	763,827	79,676	204,051	9.5	27.2
United States	9,214,278	7,665,091	1,185,765	[1] 2,501,924	12.9	32.7

[1] Excluding $21,410,000 in Puerto Rico.

By 1935 the land banks and the Land Bank Commissioner held 45.3 percent of the total farm-mortgage debt in the Southern States, with more than 50 percent in 9 of the 17 States in this area. The largest relative increase, however, occurred in the North Central States where the proportion held by the federally sponsored credit agencies jumped from 8.8 in 1930 to 30.5 in 1935. The relatively large increase in this region is explained by the heavy liquidation that occurred or was threatened in this area, and by the fact that in other regions where the decline in prices was relatively severe, the land banks already held a large proportion of the eligible mortgages. Since 1935 there has been a further increase in the outstanding loans of these agencies and this factor

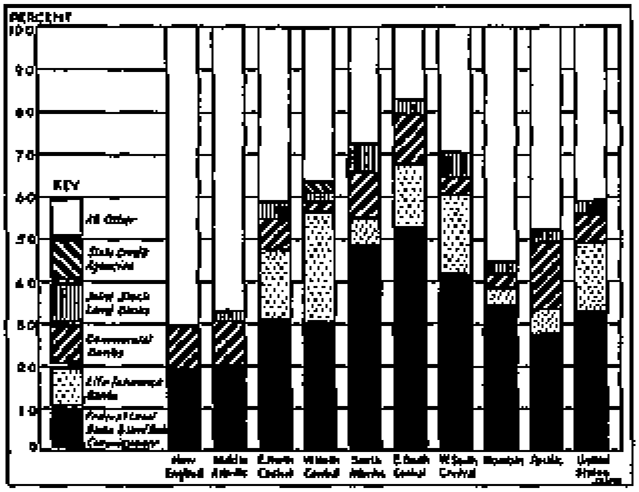

Figure 4.—Percent of Total Farm Mortgage Loans Held by Principal Lending Agencies, January 1, 1935.

combined with a probable decline in farm-mortgage indebtedness is thought to have brought approximately 40 percent of the outstanding volume of mortgage loans into the portfolios of the Federal land banks and the Land Bank Commissioner.

The farm-mortgage loans of life insurance companies are largely concentrated in the North Central and Southern States as shown in the accompanying figure. During the years since 1930 roughly 75 percent of such loans have been secured by farm property in the former group of States, with an additional 20 percent secured by farms in the latter group. In relative importance as a source of mortgage credit, life insurance companies have been most active in the West North Central States where 26 percent of all mortgage indebtedness in those States was held by such companies in 1935. In Iowa, for example, 37 percent of the total mortgage debt was held by life insurance companies in that year.

Farm-mortgage loans of commercial banks are rather more evenly distributed than are land bank or insurance company loans, and in relative importance are disproportionately large only in the Pacific States due to the large holdings in California. More than 20 percent of the total real-estate loans of commercial banks in the United States are held by banks in California—chiefly by branch banking systems. It should be emphasized, however, that commercial bank loans have been distributed on the basis of the location of the bank rather than on the basis of the farm land securing the mortgage. At the end of 1934, 65 percent of commercial bank loans on farm property were held by banks in places of less than 15,000 population. In general, commercial bank loans on farm real estate are relatively large in those areas where deposits supply local banks with loan funds in excess of current production-financing needs. In the past, excess funds, particularly in the case of New England banks, have found their way into other agricultural regions. With the entry of the land banks into the farm-mortgage field and with the growing volume of mortgage credit offered by life insurance companies after the war this practice has become less common.

The relative importance of each of the principal lending agencies as a source of mortgage credit to farmers in various geographic divisions is brought out in figure 4. Because of the concentration of the loans of important lenders in the South Atlantic and Central States a much higher proportion of the outstanding farm-mortgage debt can be accounted for in these States than in the remaining States of the Northeast and the West. From the data available for 1937 it is evident that the importance of the land banks and Land Bank Commissioner is now greater in all areas, with that of life insurance companies and joint-stock land banks considerably decreased.